

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6572**

**BILL NUMBER:** HB 1141

**NOTE PREPARED:** Jan 30, 2012

**BILL AMENDED:** Jan 25, 2012

**SUBJECT:** Home Energy Assistance.

**FIRST AUTHOR:** Rep. Welch

**FIRST SPONSOR:** Sen. Kenley

**BILL STATUS:** As Passed House

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
X FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill restores the Sales Tax exemption that expired in 2009 for home energy acquired through LIHEAP after June 30, 2012, and before July 1, 2013.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** *Department of State Revenue (DOR):* This bill will result in an increase in administrative costs for the DOR by requiring the DOR to revise Sales Tax forms as well as update computer software to incorporate the sales tax exemption proposed in the bill. The DOR's current level of resources should be sufficient.

**Explanation of State Revenues:** (Revised) *Summary* - This bill provides a Sales Tax exemption for home energy acquired through LIHEAP after June 30, 2012, and before July 1, 2013. It is estimated that this bill could potentially decrease Sales Tax revenue by \$3.7 M to \$4.4 M in FY 2013. The low estimate assumes a total LIHEAP benefits for home energy of \$53 M and the high estimate assumes a total LIHEAP benefit of \$63 M.

It should be noted that the extent of the reduction in revenue will depend in large part on the federal appropriations for LIHEAP. For FFY 2012 federal appropriations for LIHEAP total \$82.3 M, down from \$107.6 M in FFY 2011. Only the portion of this funding used for home energy benefits is currently subject to Sales Tax. Federal funding for this program in FFY 2013 is unknown.

The Sales Tax exemption applies to sales of home energy involving:

(1) energy which is in the form of electricity, oil, gas, coal, propane, or any other fuel for use as the principal source of heating or cooling in residential dwellings; and

(2) a person who is acquiring the energy through a program administered by the state to supply home energy through the Low-Income Home Energy Assistance Block Grant (LIHEAP) under 42 U.S.C 8621 et seq.

A history of the amount of benefits paid out for home energy assistance over the last six years is included in the *Background* section below.

Sales Tax revenue is deposited in the state General Fund (99.848%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

**Background Information** - Funding for the state's energy assistance program comes from federal sources and dedicated state funds. Since the early 1980s, the federal government has annually appropriated funds to states to provide energy assistance to low-income families. Indiana's program is divided into two components: the Energy Assistance Program (EAP) and the Weatherization Assistance Program (WAP). The program is primarily funded through the federal LIHEAP block grant. The state's energy assistance program provides grants for winter heating assistance and summer cooling assistance.

Indiana's program currently provides assistance to persons below 150% of the federal poverty level. A summary of benefits which would be subject to Sales Tax are as follows:

<b>Fiscal Year</b>	<b>Benefits (in millions)</b>
2012*	\$63.40
2011	\$80.96
2010	\$87.79
2009	\$86.69
2008	\$93.00
2007	\$57.64
*Please note that the benefit amount for FY 2012 is an estimate.	

**Explanation of Local Expenditures:** Local revenues will be impacted to the extent that a local unit receives funds from the Commuter Rail Service Fund or the Industrial Rail Service Fund.

**Explanation of Local Revenues:**

**State Agencies Affected:** DOR; IHCD.

**Local Agencies Affected:**

**Information Sources:** Mark Wuellner, IHCD; [www.liheap.org](http://www.liheap.org); Paul Krievins, IHCD ;U.S Department of Health and Human Services, [http://www.acf.hhs.gov/news/press/2011/liheap\\_allocation.html](http://www.acf.hhs.gov/news/press/2011/liheap_allocation.html)

**Fiscal Analyst:** Diana Agidi, 317-232-9867.